All Outlets

Income Statement Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	308	83	76
Net Sales Volume	$2,069,693	$1,354,905	$2,906,661
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.80%	-3.05%	+7.80%
Gross Sales	102.03%	102.70%	102.03%
Less: Total Deductions	2.03	2.70	2.03
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.50	74.25	75.21
Margin Before Purchase Rebate or Patronage Dividend	25.50	25.75	24.79
Purchase Rebate or Patronage Dividend	.14	.14	.20
Margin After Purchase Rebate or Patronage Dividend	25.64	25.89	24.99
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.98	2.36	3.35
Salaries/Wages — Other Employees	9.08	11.55	7.59
Federal and State Payroll Taxes	.96	1.21	.83
Group Insurance	.46	.77	.44
Benefit Plans	.51	.31	.39
Total Payroll and Other Employee Expense	13.99	16.20	12.60
Occupancy Expense			
Heat, Light, Power, Water	.40	.53	.29
Building Repairs and Maintenance	.11	.12	.09
Rent or Ownership in Real Estate**	1.83	2.00	1.31
Total Occupancy Expense	2.34	2.65	1.69
Other Costs of Doing Business			
Office Supplies and Postage	.36	.47	.30
Advertising and Promotion	.95	1.15	.74
Donations	.05	.03	.06
Telephone and Telegraph	.27	.42	.23
Bad Debts	.48	.53	.33
Credit Card Expense (Bank Charges)	.06	.04	.04
Delivery (Other than Wages)	1.10	1.04	.82
Leasing Expenses (Non-Occupancy)	.10	.22	.06
Insurance (Other than Real Estate and Group)	.60	.65	.52
Taxes (Other than Real Estate and Payroll)	.30	.36	.29
Interest (Other than Real Estate)	.90	1.86	.34
Depreciation (Other than Real Estate)	.70	1.06	.54
Store and Shop Supplies	.26	.25	.07
Legal and Accounting	.25	.30	.23
Computer Services and Expenses (Other than Wages)	.11	.17	.07
Dues and Subscriptions	.06	.09	.05
Travel, Buying, Entertainment	.19	.21	.12
Miscellaneous Services (Laundry, Disposal, Etc.)	.05	.06	.05
Unclassified Expenses	1.14	.95	1.35
Total Other Costs of Doing Business	7.93	9.86	6.21
Total Operating Expenses	24.26	28.71	20.50
Operating Profit or Loss	1.38	-2.82	4.49
Other Income	1.81	1.80	2.18
Net Operating Profit or Loss (Before Income Taxes)	3.19	-1.02	6.67

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Outlets

Balance Sheet Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$808,052	$623,981	$1,079,316
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.41	2.43	6.68
Notes and Installment Contracts Receivable	1.53	.85	2.12
Accounts Receivable	27.28	21.52	31.09
Merchandise Inventory (End of Year)	38.33	45.37	33.63
Other Current Assets	2.37	2.61	2.71
Total Current Assets	74.92	72.78	76.23
Stocks and Bonds	1.32	1.99	1.29
Real Estate (Not Used In Business)	2.11	.83	3.97
Other Investments	2.86	1.45	1.91
Total Investments	6.29	4.27	7.17
Land (Owned and Used In Business)	2.36	3.02	1.74
Buildings (Owned and Used In Business Less Depreciation)	6.80	11.10	5.27
Leasehold Improvements (Less Amortization Allowance)	.89	.35	1.43
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.91	5.08	2.16
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.49	1.92	2.95
Other Fixed Assets	2.34	1.48	3.05
Total Fixed Assets	18.79	22.95	16.60
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.28	13.14	10.87
Current Portion of Notes Payable	7.12	12.31	5.55
Accrued Payroll Taxes	.55	.42	.89
Accrued Other Taxes	1.24	.93	1.56
Other Accrued Expenses	2.29	1.99	2.52
Other Current Liabilities	5.39	8.67	3.63
Total Current Liabilities	29.87	37.46	25.02
Notes Due Partners/Officers	2.53	4.21	.99
Mortgage Payable	4.60	6.00	5.29
Long Term Debt	9.61	11.85	4.13
Other Long Term Liabilities	-1.98	1.17	-7.84
Total Long Term Liabilities	14.76	23.23	2.57
Total Liabilities	44.63	60.69	27.59
Net Worth	55.37	39.31	72.41
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	14.78%	-5.68%	24.82%
Active Owner's Return	28.57%	7.35%	37.28%
Current Asset Ratio	2.51x	1.94x	3.05x
Quick Asset Ratio	1.23x	.73x	1.70x
Total Debt to Tangible Net Worth	80.57%	154.40%	38.13%
Stock Turn Times	5.05x	3.58x	6.14x
Sales to Inventory Ratio	6.77x	4.83x	8.17x
Average Inventory per Sq. Ft. Sales Area	$93.23	$110.87	$70.23
Net Sales to Accounts Receivable	9.39x	10.09x	8.66x
Net Sales to Total Assets	2.56x	2.17x	2.69x
Net Sales to Net Worth	4.62x	5.52x	3.72x
Net Sales to Net Working Capital	5.68x	6.15x	5.26x
Other Operating Data			
Credit Sales — % of Total Gross Sales	69.95%	81.60%	73.39%
Consumer Sales — % of Total Gross Sales	45.49%	43.67%	43.08%
Selling Area — Square Feet	4,273	3,456	5,118
Sales Per Square Foot — Selling Area	$448.70	$393.06	$458.55
Total Area — Square Feet	16,321	10,390	12,767
Sales Per Square Foot — Total Area	$138.17	$107.68	$170.26
Sales Per Person Employed	$131,436	$118,009	$189,704
Sales Per Customer	$87.52	$60.07	$103.71

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.
††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	57	56	95	100
Net Sales Volume	$390,841	$761,466	$1,417,640	$4,378,696
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	-3.86%	-5.55%	+1.98%	+7.23%
Gross Sales	104.38%	102.68%	102.53%	101.70%
Less: Total Deductions	4.38	2.68	2.53	1.70
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	71.94	72.95	74.31	74.83
Margin Before Purchase Rebate or Patronage Dividend	28.06	27.05	25.69	25.17
Purchase Rebate or Patronage Dividend	.08	.23	.19	.12
Margin After Purchase Rebate or Patronage Dividend	28.14	27.28	25.88	25.29
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.62	3.13	3.01	2.88
Salaries/Wages — Other Employees	10.32	10.87	9.76	8.62
Federal and State Payroll Taxes	1.27	1.46	1.05	.87
Group Insurance	1.02	.57	.46	.42
Benefit Plans	.47	.37	.41	.55
Total Payroll and Other Employee Expense	17.70	16.40	14.69	13.34
Occupancy Expense				
Heat, Light, Power, Water	.77	.60	.50	.34
Building Repairs and Maintenance	.24	.14	.11	.10
Rent or Ownership in Real Estate**	2.28	1.87	1.95	1.76
Total Occupancy Expense	3.29	2.61	2.56	2.20
Other Costs of Doing Business				
Office Supplies and Postage	.43	.41	.46	.32
Advertising and Promotion	1.23	1.05	1.03	.91
Donations	.03	.05	.05	.05
Telephone and Telegraph	.43	.38	.34	.23
Bad Debts	.43	.39	.45	.51
Credit Card Expense (Bank Charges)	.01	.03	.02	.08
Delivery (Other Than Wages)	1.11	1.30	.98	1.12
Leasing Expenses (Non-Occupancy)	.02	.21	.13	.09
Insurance (Other Than Real Estate and Group)	.61	.89	.71	.53
Taxes (Other Than Real Estate and Payroll)	.26	.30	.51	.24
Interest (Other Than Mortgages)	.79	1.20	1.01	.84
Depreciation (Other than Real Estate)	.67	1.03	.87	.62
Store and Shop Supplies	.51	.20	.13	.29
Legal and Accounting	.30	.39	.28	.23
Computer Services and Expenses (Other Than Wages)	.07	.01	.09	.12
Dues and Subscriptions	.09	.09	.07	.06
Travel, Buying, Entertainment	.17	.10	.20	.19
Miscellaneous Services (Laundry, Disposal, etc.)	.11	.07	.04	.04
Unclassified Expenses	.39	.74	.87	1.30
Total Other Costs of Doing Business	7.66	8.84	8.24	7.77
Total Operating Expenses	28.65	27.85	25.49	23.31
Operating Profit or Loss	-.51	-.57	.39	1.98
Other Income	2.12	3.19	1.90	1.64
Net Operating Profit or Loss (Before Income Taxes)	1.61	2.62	2.29	3.62

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$235,686	$439,349	$606,287	$1,532,451
		% of Total Assets		
Assets				
Cash On Hand and In Bank	6.58	9.25	5.79	4.55
Notes and Installment Contracts Receivable	.57	2.82	.93	1.64
Accounts Receivable	14.22	15.84	23.96	31.51
Merchandise Inventory (End of Year)	47.11	41.35	42.99	35.33
Other Current Assets	1.14	2.72	1.68	2.68
Total Current Assets	69.62	71.98	75.35	75.71
Stocks and Bonds	3.29	1.71	1.73	.93
Real Estate (Not Used in Business)	3.24	9.51	2.29	.76
Other Investments	.50	3.30	3.46	2.77
Total Investments	7.03	14.52	7.48	4.46
Land (Owned and Used in Bus.)	3.16	1.54	2.08	2.52
Buildings (Owned and Used in Bus. Less Depre.)	15.78	5.75	5.99	6.49
Leasehold Improvements (Less Amortization Allowance)	.28	.24	1.27	.90
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	1.61	2.45	3.04	4.67
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.35	1.90	2.16	2.72
Other Fixed Assets	.17	1.62	2.63	2.53
Total Fixed Assets	23.35	13.50	17.17	19.83
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	6.93	7.54	11.14	15.56
Current Portion of Notes Payable	2.34	3.67	6.20	8.43
Accrued Payroll Taxes	.51	.56	.27	.66
Accrued Other Taxes	1.23	.51	1.21	1.37
Other Accrued Expenses	.53	2.27	1.17	2.86
Other Current Liabilities	3.26	4.15	7.98	4.80
Total Current Liabilities	14.85	18.70	27.97	33.68
Notes Due Partners/Officers	1.27	5.29	2.62	2.17
Mortgage Payable	2.96	2.88	6.08	4.47
Long Term Debt	9.26	11.22	8.39	9.84
Other Long Term Liabilities	.49	.10	2.06	-4.06
Total Long Term Liabilities	13.98	19.49	19.15	12.42
Total Liabilities	28.83	38.19	47.12	46.10
Net Worth	71.17	61.81	52.88	53.90
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	3.74%	7.32%	10.14%	19.14%
Active Owner's Return	14.50%	16.11%	23.45%	34.39%
Current Asset Ratio	4.69x	3.85x	2.69x	2.25x
Quick Asset Ratio	1.51x	1.64x	1.16x	1.20x
Total Debt to Tangible Net Worth	40.53%	61.75%	89.12%	85.51%
Stock Turn Times	2.57x	3.11x	4.12x	6.11x
Sales to Inventory Ratio	3.58x	4.27x	5.54x	8.17x
Average Inventory per Sq. Ft. Sales Area	$89.16	$54.92	$66.45	$146.94
Net Sales to Accounts Receivable	11.66x	10.94x	9.76x	9.07x
Net Sales to Total Assets	1.66x	1.73x	2.34x	2.86x
Net Sales to Net Worth	2.33x	2.80x	4.42x	5.30x
Net Sales to Net Working Capital	3.03x	3.25x	4.94x	6.80x
Other Operating Data				
Credit Sales — % of Total Gross Sales	79.98%	77.33%	73.19%	67.98%
Consumer Sales — % of Total Gross Sales	64.40%	51.58%	40.87%	35.19%
Selling Area — Square Feet	2,547	3,800	4,688	5,285
Sales Per Square Foot — Selling Area	$104.22	$202.68	$295.75	$853.57
Total Area — Square Feet	8,830	14,748	15,521	23,338
Sales Per Square Foot — Total Area	$44.32	$54.65	$100.00	$228.05
Sales Per Person Employed	$90,194	$107,909	$126,567	$139,626
Sales Per Customer	$30.34	$49.07	$62.01	$114.77

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Number of Outlets	88	69	109
Net Sales Volume	$1,459,719	$1,884,257	$2,410,608
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.24%	+2.00%	+7.89%
Gross Sales	102.53%	102.29%	101.56%
Less: Total Deductions	2.53	2.29	1.56
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.24	75.20	73.95
Margin Before Purchase Rebate or Patronage Dividend	25.76	24.80	26.05
Purchase Rebate or Patronage Dividend	.04	.11	.17
Margin After Purchase Rebate Or Patronage Dividend	25.80	24.91	26.22
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.07	2.80	2.40
Salaries — Other Employees	8.28	9.76	9.11
Federal and State Payroll Taxes	.86	1.08	.94
Group Insurance	.43	.59	.37
Benefit Plans	.87	.21	.48
Total Payroll and Other Employee Expense	15.51	14.44	13.30
Occupancy Expense			
Heat, Light, Power, Water	.34	.41	.42
Building Repairs and Maintenance	.15	.10	.10
Rent or Ownership in Real Estate**	1.35	1.93	2.20
Total Occupancy Expense	1.84	2.44	2.72
Other Costs of Doing Business			
Office Supplies and Postage	.26	.42	.38
Advertising and Promotion	.51	.95	1.26
Donations	.06	.04	.05
Telephone and Telegraph	.29	.30	.25
Bad Debts	.63	.53	.44
Credit Card Expense (Bank Charges)	.01	.04	.08
Delivery (Other Than Wages)	1.46	1.01	.98
Leasing Expenses (Non-Occupancy)	.10	.17	.09
Insurance (Other Than Real Estate and Group)	.57	.51	.59
Taxes (Other Than Real Estate and Payroll)	.21	.36	.31
Interest (Other Than Real Estate)	.76	1.19	.89
Depreciation (Other Than Real Estate)	.69	.71	.70
Store and Shop Supplies	.19	.11	.43
Legal and Accounting	.25	.21	.25
Computer Services and Expenses (Other Than Wages)	.06	.15	.12
Dues and Subscriptions	.07	.06	.06
Travel, Buying, Entertainment	.12	.27	.21
Miscellaneous Services (Laundry, Disposal, etc.)	.05	.05	.04
Unclassified Expenses	.51	.85	1.60
Total Other Costs of Doing Business	6.80	7.93	8.73
Total Operating Expenses	24.15	24.81	24.75
Operating Profit or Loss	1.65	.10	1.47
Other Income	2.10	1.63	1.56
Net Operating Profit or Loss (Before Income Taxes)	3.75	1.73	3.03

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**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$537,593	$741,599	$934,628
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.10	3.53	6.22
Notes and Installment Contracts Receivable	.52	.45	2.64
Accounts Receivable	38.24	25.95	24.15
Merchandise Inventory (End of Year)	33.79	40.45	37.54
Other Current Assets	2.79	1.75	2.74
Total Current Assets	80.44	72.13	73.29
Stocks and Bonds	1.24	1.28	1.18
Real Estate (Not Used in Bus.)	1.01	2.44	1.96
Other Investments	1.27	3.92	3.81
Total Investments	3.52	7.65	6.95
Land (Owned and Used in Bus.)	2.25	2.43	2.44
Buildings (Owned and Used in Bus. Less Depre.)	6.70	9.02	6.09
Leasehold Improvements (Less Depre.)	.74	1.30	.98
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.00	4.51	4.88
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.73	1.92	2.49
Other Fixed Assets	1.62	1.05	2.88
Total Fixed Assets	16.04	20.23	19.76
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	13.41	14.38	14.14
Current Portion of Notes Payable	4.87	8.13	8.01
Accrued Payroll Taxes	.54	.31	.70
Accrued Other Taxes	1.32	1.19	1.30
Other Accrued Expenses	1.82	2.12	2.60
Other Current Liabilities	5.13	4.97	6.39
Total Current Liabilities	27.09	31.10	33.14
Notes Due Partners/Officers	2.62	4.77	2.13
Mortgage Payable	1.41	10.11	3.67
Long Term Debt	7.92	10.47	10.30
Other Long Term Liabilities	.11	.81	1.07
Total Long Term Liabilities	12.06	26.16	17.17
Total Liabilities	39.15	57.26	50.31
Net Worth	60.85	42.74	49.69
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	16.73%	10.27%	15.72%
Active Owner's Return	39.36%	26.93%	28.19%
Current Asset Ratio	2.97x	2.32x	2.21x
Quick Asset Ratio	1.72x	1.02x	1.08x
Total Debt to Tangible Net Worth	64.37%	133.96%	101.27%
Stock Turn Times	6.02x	4.78x	5.16x
Sales to Inventory Ratio	8.11x	6.36x	6.98x
Average Inventory per Sq. Ft. Sales Area	$186.88	$112.50	$70.88
Net Sales to Accounts Receivable	7.10x	9.79x	10.68x
Net Sales to Total Assets	2.72x	2.54x	2.58x
Net Sales to Net Worth	4.46x	5.94x	5.19x
Net Sales to Net Working Capital	5.09x	6.19x	6.42x
Other Operating Data			
Credit Sales — % of Total Gross Sales	86.22%	68.59%	53.86%
Consumer Sales — % of Total Gross Sales	50.70%	45.43%	43.72%
Selling Area — Square Feet	1,918	3,725	6,653
Sales Per Square Foot — Selling Area	$984.35	$500.63	$341.53
Total Area — Square Feet	10,468	16,065	24,777
Sales Per Square Foot — Total Area	$151.90	$143.96	$106.55
Sales Per Person Employed	$162,182	$144,741	$145,089
Sales Per Customer	$111.44	$141.63	$61.34

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	97	154	39
Net Sales Volume	$1,248,415	$2,781,786	$1,563,719
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+5.89%	+4.77%	+2.75%
Gross Sales	102.04%	101.76%	103.27%
Less: Total Deductions	2.04	1.76	3.27
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.32	74.39	76.03
Margin Before Purchase Rebate or Patronage Dividend	25.68	25.61	23.97
Purchase Rebate or Patronage Dividend	.13	.14	.02
Margin After Purchase Rebate or Patronage Dividend	25.81	25.75	23.99
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.54	3.03	1.71
Salaries/Wages — Other Employees	9.09	9.22	7.47
Federal and State Payroll Taxes	1.04	.92	.95
Group Insurance	.50	.41	.60
Benefit Plans	.54	.51	.33
Total Payroll and Other Employee Expense	14.71	14.09	11.06
Occupancy Expense			
Heat, Light, Power, Water	.43	.40	.34
Building Repairs and Maintenance	.10	.11	.10
Rent or Ownership in Real Estate**	1.82	1.94	1.09
Total Occupancy Expense	2.35	2.45	1.53
Other Costs of Doing Business			
Advertising and Promotion	1.03	.94	.77
Insurance (Other Than Real Estate or Group)	.71	.58	.48
Taxes (Other Than Real Estate or Payroll)	.34	.31	.20
Interest (Other Than Real Estate)	.81	.88	.94
Depreciation (Other Than Real Estate)	.81	.63	.82
All Other Expenses	3.71	4.21	7.73
Total Other Costs of Doing Business	7.41	7.55	10.94
Total Operating Expenses	24.47	24.09	23.53
Operating Profit or Loss	1.34	1.66	.46
Other Income	1.88	1.67	2.24
Net Operating Profit or Loss (Before Income Taxes)	3.22	3.33	2.70
Financial Performance			
Profit on Investment	12.75%	16.71%	11.15%
Active Owner's Return	26.78%	31.93%	18.22%
Current Asset Ratio	3.03x	2.40x	2.19x
Quick Asset Ratio	1.39x	1.20x	1.03x
Total Debt to Tangible Net Worth	71.46%	81.55%	89.88%
Stock Turn Times	4.40x	5.53x	4.20x
Sales to Inventory Ratio	5.92x	7.44x	5.52x
Average Inventory per Sq. Ft. Sales Area	$68.70	$101.78	$133.58
Net Sales to Accounts Receivable	10.35x	9.33x	8.01x
Net Sales to Total Assets	2.31x	2.77x	2.17x
Net Sales to Net Worth	3.96x	5.02x	4.13x
Net Sales to Net Working Capital	4.63x	6.30x	5.39x
Other Operating Data			
Credit Sales — % of Total Gross Sales	74.07%	71.56%	50.82%
Consumer Sales — % of Total Gross Sales	50.65%	42.44%	42.15%
Selling Area — Square Feet	3,931	4,717	3,527
Sales Per Square Foot — Selling Area	$335.41	$517.97	$458.07
Total Area — Square Feet	13,910	18,537	14,656
Sales Per Square Foot — Total Area	$103.97	$164.72	$103.38
Sales Per Person Employed	$133,868	$131,241	$130,869
Sales Per Customer	$59.39	$93.70	$150.47

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

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Outlet Location II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	9	135	147
Net Sales Volume	$1,571,499	$2,397,561	$1,698,072
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+1.78%	+5.68%	+3.87%
Gross Sales	106.44%	102.04%	101.71%
Less: Total Deductions	6.44	2.04	1.71
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.52	74.41	74.29
Margin Before Purchase Rebate or Patronage Dividend	24.48	25.59	25.71
Purchase Rebate or Patronage Dividend	.11	.17	.10
Margin After Purchase Rebate or Patronage Dividend	24.59	25.76	25.81
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.20	2.67	2.84
Salaries/Wages — Other Employees	9.72	8.60	10.01
Federal and State Payroll Taxes	.83	.92	1.08
Group Insurance	.59	.41	.51
Benefit Plans	.64	.51	.47
Total Payroll and Other Employee Expense	14.98	13.11	14.91
Occupancy Expense			
Heat, Light, Power, Water	.53	.38	.45
Building Repairs and Maintenance	.02	.16	.07
Rent or Ownership in Real Estate**	2.81	1.92	1.83
Total Occupancy Expense	3.36	2.46	2.35
Other Costs of Doing Business			
Advertising and Promotion	1.31	.87	1.12
Insurance (Other Than Real Estate and Group)	.81	.59	.64
Taxes (Other Than Real Estate and Payroll)	.49	.33	.28
Interest (Other Than Real Estate)	.65	.90	.93
Depreciation (Other Than Real Estate)	.65	.68	.75
All Other Expenses	3.79	5.17	3.93
Total Other Costs of Doing Business	7.70	8.54	7.65
Total Operating Expenses	26.04	24.11	24.91
Operating Profit or Loss	-1.45	1.65	.90
Other Income	2.75	1.71	1.69
Net Operating Profit or Loss (Before Income Taxes)	1.30	3.36	2.59
Financial Performance			
Profit on Investment	5.13%	14.90%	12.86%
Active Owner's Return	17.88%	26.70%	26.94%
Current Asset Ratio	2.22x	2.57x	2.35x
Quick Asset Ratio	.99x	1.20x	1.12x
Total Debt to Tangible Net Worth	100.05%	70.81%	95.18%
Stock Turn Times	3.29x	4.94x	5.02x
Sales to Inventory Ratio	4.36x	6.64x	6.75x
Average Inventory per Sq. Ft. Sales Area	$44.71	$99.36	$89.61
Net Sales to Accounts Receivable	8.11x	10.24x	9.83x
Net Sales to Total Assets	1.99x	2.59x	2.54x
Net Sales to Net Worth	3.98x	4.42x	4.95x
Net Sales to Net Working Capital	4.47x	5.67x	6.10x
Other Operating Data			
Credit Sales — % Total Gross Sales	75.26%	76.49%	71.15%
Consumer Sales — % of Total Gross Sales	55.75%	43.24%	47.43%
Selling Area — Square Feet	5,153	4,502	4,131
Sales Per Square Foot — Selling Area	$176.53	$480.34	$402.82
Total Area — Square Feet	9,367	18,759	14,731
Sales Per Square Foot — Total Area	$165.25	$123.72	$158.72
Sales Per Person Employed	$19,920	$146,717	$147,399
Sales Per Customer	$24.00	$90.48	$77.55

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Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Outlets	55	65	186
Net Sales Volume	$2,925,204	$2,455,743	$1,693,431
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+7.82%	+7.05%	+2.71%
Gross Sales	100.90%	103.40%	101.92%
Less: Total Deductions	.90	3.40	1.92
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.49	72.85	75.35
Margin Before Purchase Rebate or Patronage Dividend	25.51	27.15	24.65
Purchase Rebate or Patronage Dividend	.03	.22	.16
Margin After Purchase Rebate or Patronage Dividend	25.54	27.37	24.81
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.21	2.53	2.58
Salaries/Wages — Other Employees	7.85	9.82	9.27
Federal and State Payroll Taxes	.85	.94	1.03
Group Insurance	.36	.44	.52
Benefit Plans	.68	.57	.38
Total Payroll and Other Employee Expense	13.95	14.30	13.78
Occupancy Expense			
Heat, Light, Power, Water	.29	.47	.43
Building Repairs and Maintenance	.05	.18	.11
Rent or Ownership in Real Estate**	1.44	2.75	1.58
Total Occupancy Expense	1.78	3.40	2.12
Other Costs of Doing Business			
Advertising and Promotion	.96	.90	.97
Insurance (Other Than Real Estate or Group)	.43	.61	.67
Taxes (Other Than Real Estate or Payroll)	.22	.32	.33
Interest (Other Than Real Estate)	.63	1.41	.77
Depreciation (Other Than Real Estate)	.50	.64	.84
All Other Expenses	4.72	5.06	4.07
Total Other Costs of Doing Business	7.46	8.94	7.65
Total Operating Expenses	23.19	26.64	23.55
Operating Profit or Loss	2.35	.73	1.26
Other Income	1.62	2.36	1.63
Net Operating Profit or Loss (Before Income Taxes)	3.97	3.09	2.89
Financial Performance			
Profit on Investment	19.81%	15.54%	12.30%
Active Owner's Return	40.86%	28.41%	23.27%
Current Asset Ratio	2.46x	2.57x	2.50x
Quick Asset Ratio	1.49x	1.22x	1.11x
Total Debt to Tangible Net Worth	73.51%	109.98%	69.97%
Stock Turn Times	7.09x	4.66x	4.58x
Sales to Inventory Ratio	9.52x	6.40x	6.07x
Average Inventory per Sq. Ft. Sales Area	$97.95	$101.86	$87.19
Net Sales to Accounts Receivable	7.99x	9.08x	10.52x
Net Sales to Total Assets	2.88x	2.40x	2.50x
Net Sales to Net Worth	5.00x	5.05x	4.26x
Net Sales to Net Working Capital	6.39x	5.36x	5.54x
Other Operating Data			
Credit Sales — % of Total Gross Sales	63.62%	76.90%	71.02%
Consumer Sales — % of Total Gross Sales	35.69%	38.78%	50.82%
Selling Area — Square Feet	5,003	4,664	3,907
Sales Per Square Foot — Selling Area	$525.27	$495.83	$398.05
Total Area — Square Feet	26,303	14,227	13,796
Sales Per Square Foot — Total Area	$131.48	$173.08	$125.70
Sales Per Person Employed	$185,359	$136,033	$112,457
Sales Per Customer	$94.52	$132.53	$67.58

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Number of Outlets

Income Statement Data	Single Outlets	2 To 4 Outlets	5 To 10 Outlets	11 or More Outlets
Number of Outlets	181	54	37	36
Net Sales Volume	$1,895,842	$3,698,296	$2,141,775	$426,789
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.27%	+5.04%	+11.92%	-1.96%
Gross Sales	102.06%	102.12%	101.03%	105.16%
Less: Total Deductions	2.06	2.12	1.03	5.16
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.34	74.00	72.75	71.07
Margin Before Purchase Rebate or Patronage Dividend	24.66	26.00	27.25	28.93
Purchase Rebate or Patronage Dividend	.16	.10	.20	.00
Margin After Purchase Rebate or Patronage Dividend	24.82	26.10	27.45	28.93
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	2.68	3.27	3.19	5.04
Salaries/Wages — Other Employees	9.15	8.20	10.24	11.82
Federal and State Payroll Taxes	.96	.83	1.22	1.43
Group Insurance	.49	.34	.48	1.28
Benefit Plans	.51	.46	.58	.67
Total Payroll and Other Employee Expense	13.79	13.10	15.71	20.24
Occupancy Expense				
Heat, Light, Power, Water	.41	.32	.53	.74
Building Repairs and Maintenance	.12	.09	.10	.23
Rent or Ownership in Real Estate**	1.51	2.00	2.88	1.62
Total Occupancy Expense	2.04	2.41	3.51	2.59
Other Costs of Doing Business				
Advertising and Promotion	.96	.62	1.74	1.20
Insurance (Other Than Real Estate or Group)	.71	.51	.32	.56
Taxes (Other Than Real Estate or Payroll)	.39	.22	.21	.06
Interest (Other Than Real Estate)	1.02	.87	.62	.14
Depreciation (Other Than Real Estate)	.77	.65	.54	.70
All Other Expenses	4.02	5.51	3.98	3.96
Total Other Costs of Doing Business	7.87	8.38	7.41	6.62
Total Operating Expenses	23.70	23.89	26.63	29.44
Operating Profit or Loss	1.12	2.21	.82	-.51
Other Income	1.93	1.78	1.25	2.49
Net Operating Profit or Loss (Before Income Taxes)	3.05	3.99	2.07	1.98
Financial Performance				
Profit on Investment	13.05%	18.69%	20.38%	4.38%
Active Owner's Return	24.51%	34.00%	51.82%	15.46%
Current Asset Ratio	2.69x	2.35x	1.71x	8.55x
Quick Asset Ratio	1.27x	1.32x	.71x	2.86x
Total Debt to Tangible Net Worth	81.55%	64.02%	219.16%	10.67%
Stock Turn Times	4.56x	6.29x	5.73x	2.85x
Sales to Inventory Ratio	6.05x	8.50x	7.88x	4.00x
Average Inventory Per Sq. Ft. Sales Area	$64.58	$207.63	$348.04	$49.84
Net Sales to Accounts Receivable	9.62x	8.11x	12.24x	13.67x
Net Sales to Total Assets	2.36x	2.86x	3.09x	1.99x
Net Sales to Net Worth	4.28x	4.69x	9.86x	2.20x
Net Sales to Net Working Capital	5.00x	6.40x	11.13x	2.98x
Other Operating Data				
Credit Sales — % of Total Gross Sales	66.05%	82.75%	45.67%	83.43%
Consumer Sales — % of Total Gross Sales	44.93%	30.15%	51.38%	65.00%
Selling Area — Square Feet	4,487	4,611	5,245	2,139
Sales per Square Foot — Selling Area	$404.18	$839.03	$433.61	$199.54
Total Area — Square Feet	13,821	20,148	32,946	9,722
Sales per Square Foot — Total Area	$140.17	$156.61	$79.60	$43.90
Sales per Person Employed	$114,174	$173,356	$149,520	$94,842
Sales per Customer	$70.55	$283.79	$59.61	$33.03

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Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	158	134
Net Sales Volume	$2,848,952	$1,167,237
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+ 5.17%	+ 3.68%
Gross Sales	102.01%	$101.99%
Less: Total Deductions	2.01	1.99
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.81	73.62
Margin Before Purchase Rebate or Patronage Dividend	25.19	26.38
Purchase Rebate or Patronage Dividend	.12	.18
Margin After Purchase Rebate or Patronage Dividend	25.31	26.56
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.81	3.50
Salaries/Wages — Other Employees	8.90	9.45
Federal and State Payroll Taxes	.91	1.08
Group Insurance	.43	.51
Benefit Plans	.54	.40
Total Payroll and Other Employee Expense	13.59	14.94
Occupancy Expense		
Heat, Light, Power, Water	.36	.49
Building Repairs and Maintenance	.10	.15
Rent or Ownership in Real Estate**	1.79	1.96
Total Occupancy Expense	2.25	2.60
Other Costs of Doing Business		
Advertising and Promotion	.81	1.39
Insurance (Other Than Real Estate or Group)	.57	.62
Taxes (Other Than Real Estate or Payroll)	.26	.42
Interest (Other Than Real Estate)	.91	.58
Depreciation (Other Than Real Estate)	.68	.73
All Other Expenses	4.81	3.72
Total Other Costs of Doing Business	8.04	7.46
Total Operating Expenses	23.88	25.00
Operating Profit or Loss	1.43	1.56
Other Income	1.95	1.56
Net Operating Profit or Loss (Before Income Taxes)	3.38	3.12
Financial Performance		
Profit on Investment	16.76%	11.93%
Active Owner's Return	30.69%	25.31%
Current Asset Ratio	2.33x	3.05x
Quick Asset Ratio	1.26x	1.17x
Total Debt to Tangible Net Worth	81.02%	67.56%
Stock Turn Times	5.90x	3.88x
Sales to Inventory Ratio	7.88x	5.27x
Average Inventory Per Sq. Ft. Sales Area	$96.22	$82.98
Net Sales to Accounts Receivable	8.17x	15.16x
Net Sales to Total Assets	2.74x	2.28x
Net Sales to Net Worth	4.96x	3.82x
Net Sales to Net Working Capital	6.27x	4.74x
Other Operating Data		
Credit Sales — % of Total Gross Sales	74.60%	55.15%
Consumer Sales — % of Total Gross Sales	29.15%	64.75%
Selling Area — Square Feet	4,598	3,938
Sales per Square Foot — Selling Area	$555.62	$277.87
Total Area — Square Feet	18,310	13,964
Sales per Square Foot — Total Area	$168.34	$81.33
Sales per Person Employed	$130,513	$132,072
Sales per Customer	$119.14	$39.93

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Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware $\frac{15.0}{110.0} = 13.6\%$

Hand Tools $\frac{10.0}{110.0} = 9.1\%$

Paint & Home Decorating $\frac{20.0}{110.0} = 18.2\%$

Lumber/Building Materials $\frac{65.0}{110.0} = 59.1\%$

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/ Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.64 which means $1.64 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	% Handling	Handling Firms Only: % of Net Sales	Handling Firms Only: % of Sales Floor*	Handling Firms Only: % of Inventory	Handling Firms Only: $ Sales Per Sq. Ft. Sales Area	Average Outlet Profile: % of Net Sales	Average Outlet Profile: % of Sales Floor*	Average Outlet Profile: % of Inventory
Hardware	100.0	7.8	21.0	10.3	136.03	7.8	21.0	10.3
Hand Tools	89.5	2.9	6.7	5.0	126.86	2.4	5.1	3.5
Power Tools & Accessories	80.4	2.1	4.4	3.1	157.69	1.5	3.1	1.9
Plumbing, Heating and Cooling	85.6	4.5	10.2	6.0	156.64	3.8	7.5	4.3
Electrical Supplies	85.6	3.0	7.3	4.5	149.06	2.4	5.5	3.1
Paint & Home Decorating	96.1	6.7	13.3	9.3	172.86	6.2	11.2	7.7
Lumber	100.0	34.5	15.3	31.8	986.83	34.5	15.3	31.8
Building Materials	100.0	31.4	17.6	32.8	719.64	31.4	17.6	32.8
Lawn & Garden	56.9	3.0	8.4	3.4	130.32	1.6	4.8	1.5
Housewares	20.3	2.2	4.6	1.6	95.61	.4	.8	.3
Automotive Supplies	13.1	1.1	3.2	1.9	98.13	.1	.3	.2
Major Appliances & Home Entertainment	11.8	4.0	5.9	3.4	116.51	.5	.6	.2
Sporting Goods & Outdoor Living	10.5	7.4	4.1	2.9	—	.8	.2	.2
Miscellaneous Goods	60.1	11.3	18.3	5.2	161.27	6.6	7.0	2.2
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sales To Inventory Ratio X	Gross Margin Return On Inventory (GMROI) $
Hardware	37.7	3.8	1.43
Hand Tools	34.8	4.1	1.44
Power Tools & Accessories	31.0	4.1	1.28
Plumbing, Heating & Cooling	34.3	3.9	1.32
Electrical Supplies	35.7	3.7	1.32
Paint & Home Decorating	34.7	4.2	1.45
Lumber	23.8	7.3	1.73
Building Materials	26.4	7.5	1.98
Lawn & Garden	33.3	4.9	1.64
Housewares	32.7	3.7	1.21
Automotive Supplies	28.6	3.0	.87
Major Appliances & Home Entertainment	20.4	4.7	.96
Sporting Goods & Outdoor Living	—	—	—
Miscellaneous Goods	28.1	6.3	1.76

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APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment, gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- —Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- —Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- —Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- —Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- —Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
- —Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- —Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
- —Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- —The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- —Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- —Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
- —Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- —Computed by dividing Net Sales by Average Inventory; expressed in "times".
- —Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
- —Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
- —A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- —Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
- —Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- —Computed by dividing Net Sales by Total Assets; expressed in "times".
- —Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- —Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
- —Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- —Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
- —Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

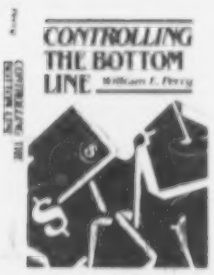
Sales Per Sq. Ft. — Selling Area
- —Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- —Measures sales productivity.

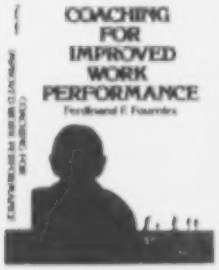
Sales Per Sq. Ft. — Total Area
- —Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- —Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

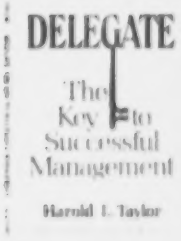
Sales Per Person Employed
- —Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- —Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- —Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- —Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
- —Computed by taking gross margin percentage times sales to inventory ratio.
- —Considers both margin and turnover.
- —Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.







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THE 1987 MANAGEMENT REPORT

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August 31, 1987

To Retailers Serving Do-It-Yourself Consumers:

Every year National Retail Hardware Association undertakes a major research project that provides details on the innermost workings of stores just like yours.

The results give margin and expense figures that allow any retailer to compare his own store with stores like his, and find the areas that hold the most opportunity to increase profit and return on investment.

Again this year the association has completed this project with research among three different types of "do-it-yourself" retailer outlets--hardware stores, home centers, and lumber-building material outlets.

Fortunately, ours is not an industry with extreme annual fluctuations in store performance. However, there are continual changes that provide an "early warning" to the direction in which our industry is moving.

On an individual store basis, it is most important that these reports allow you to see how well you are doing in comparisons with other stores, to see where your performance ranks in the whole spectrum of stores like yours.

It is not enough to be "better than average" in an industry where average performance is unacceptable. Look at figures in comparison with the "high profit" stores, and see if you are in this category.

If not, by examining the comparative figures in detail you can spot those areas where improved performance can best improve profitability and return on investment.

If you provided financial data to NRHA to support this study, you have already received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If you did not take part this year, plan to do so in 1988 to get this helpful report.

NRHA is deeply indebted to all retailers who provided the information that makes this study possible.

Very truly yours,

DAVID LOVING
Managing Director

DL/dc

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National
Retail Hardware
Association

Prepared By:

Marketing Research Department

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Introduction

The Management Report

The 1987 Management Report presents financial operating data for retail hardware operations. The Report is designed to fulfill several objectives:

- To assess financial performance of retail hardware stores in 1986
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Historical Trends for 1982 through 1986; The Strategic Profit Model; Average Operating Results for 1986; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provide us with detailed information on their operations. Mail questionnaires were sent to hardware store operators in February, 1987. Seven hundred and eighty-seven usable returns were received by June 15, 1987 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for Home Centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1987 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association.

Historical Trends

Income Statement Data	ALL HARDWARE STORES FISCAL YEAR 1986	1985	1984	1983	1982
Net Sales Volume	$682,263	$645,939	$6[illegible]6,017	$567,212	$545,194
Gross Sales	101.96%	102.13%	102.14%	102.19%	102.33%
Less: Total Deductions	1.96	2.13	2.14	2.19	2.33
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.08	65.69	67.00	65.66	65.55
Margin Before Purchase Rebate or Patronage Dividend	34.92	34.31	33.00	34.34	34.45
Purchase Rebate or Patronage Dividend	1.14	1.05	1.04	1.14	1.15
Margin After Purchase Rebate or Patronage Dividend	36.06	35.36	34.04	35.48	35.60
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	4.42	4.43	4.93	5.58	5.58
Salaries/Wages — Other Employees	12.44	11.69	11.01	11.60	11.55
Federal and State Payroll Taxes	1.41	1.58	1.39	1.34	1.29
Group Insurance	.64	.66	.66	.70	.61
Benefit Plans	.46	.39	.43	.47	.40
Total Payroll and Other Employee Expense	19.37	18.75	18.42	19.69	19.43
Occupancy Expense					
Heat, Light, Power, Water	1.15	1.13	1.17	1.19	1.21
Building Repairs and Maintenance	.30	.16	.25	.31	.15
Rent or Ownership in Real Estate**	3.80	3.85	3.53	3.76	3.72
Total Occupancy Expense	5.25	5.14	4.95	5.26	5.08
Other Costs of Doing Business					
Advertising and Promotion	2.50	2.53	2.28	2.38	2.30
Insurance (Other than Real Estate or Group)	.89	.72	.64	.71	.80
Taxes (Other than Real Estate and Payroll)	.57	.43	.31	.33	.38
Interest (Other than Real Estate)	1.32	1.40	1.53	1.42	1.73
Depreciation (Other than Real Estate)	.99	.98	.94	.88	.84
All Other Expenses	3.76	3.88	3.57	3.59	3.66
Total Other Costs of Doing Business	10.04	9.94	9.27	9.31	9.71
Total Operating Expenses	34.65	33.83	32.64	34.26	34.22
Operating Profit or Loss	1.41	1.53	1.40	1.22	1.38
Other Income	1.68	1.55	1.50	1.51	1.43
Net Operating Profit or Loss (Before Income Taxes)	3.09	3.08	2.90	2.73	2.81
Financial Performance					
Profit on Investment	11.76%	12.10%	11.08%	9.76%	10.57%
Active Owner's Return	28.58%	29.50%	29.28%	29.73%	31.56%
Current Asset Ratio	3.39x	3.44x	3.49x	3.52x	3.55x
Quick Asset Ratio	.91x	1.00x	1.03x	1.01x	.99x
Total Debt to Tangible Net Worth	90.91%	93.19%	93.57%	85.75%	89.64%
Stock Turn Times	2.45x	2.49x	2.59x	2.40x	2.43x
Sales to Inventory Ratio	3.77x	3.79x	3.87x	3.66x	3.70x
Average Inventory per Sq. Ft. Sales Area	$28.00	$29.82	$13.14	$27.23	$26.00
Net Sales to Accounts Receivable	21.09x	20.65x	18.49x	19.58x	21.43x
Net Sales to Total Assets	1.99x	2.03x	1.98x	1.92x	1.99x
Net Sales to Net Worth	3.81x	3.92x	3.83x	3.58x	3.76x
Net Sales to Net Working Capital	2.80x	3.76x	3.75x	3.60x	3.63x
Other Operating Data					
Credit Sales — % of Total Gross Sales	31.27%	28.02%	31.86%	31.57%	26.74%
Consumer Sales — % of Total Gross Sales	74.39%	76.73%	78.13%	81.70%	83.17%
Selling Area — Square Feet	5,827	6,177	6,161	6,109	6,274
Sales Per Square Foot — Selling Area	$105.34	$106.76	$111.73	$92.84	$86.90
Total Area — Square Feet	9,059	9,009	9,341	9,059	8,915
Sales Per Square Foot — Total Area	$67.11	$73.58	$74.05	$62.62	$61.15
Sales Per Person Employed	$75,418	$69,108	$61,530	$61,196	$60,825
Sales Per Customer	$9.64	$9.83	$11.01	$9.59	$8.83

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

Figures may not add to totals indicated because of rounding.

Historical Trends

	Percent of Net Sales**					Sales Per Square Foot				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	14.9%	16.5%	17.5%	18.1%	19.7%	$108.36	$ 99.85	$110.73	$101.24	$99.54
Hand Tools	6.1	7.0	6.7	6.8	5.2	129.07	100.26	121.24	84.41	77.88
Power Tools & Accessories	4.7	4.5	4.7	4.8	3.0	132.05	114.49	104.13	89.50	79.01
Plumbing, Heating & Cooling	12.9	13.5	12.8	12.7	11.0	121.70	111.53	137.57	91.84	89.38
Electrical Supplies	9.5	10.4	9.6	9.5	7.6	134.72	118.68	147.41	106.62	94.39
Paint & Home Decorating	12.5	11.0	11.2	11.1	11.8	132.89	114.19	124.60	101.10	86.92
Lumber	.8	1.1	.7	1.0	.6	125.18	108.69	63.65	132.90	125.42
Building Materials	1.5	1.9	1.3	1.6	2.0	135.44	106.39	95.93	140.84	92.33
Lawn & Garden	13.4	11.0	10.2	9.5	11.3	114.89	115.59	115.65	81.95	92.66
Housewares	7.4	7.3	7.6	8.5	9.8	76.58	71.47	71.16	73.78	64.89
Automotive Supplies	2.5	2.8	2.8	2.5	2.6	84.24	102.15	146.70	100.72	85.07
Major Appliances & Home Entertainment	2.3	3.2	2.3	3.1	3.2	143.55	123.34	113.88	29.41	106.30
Sporting Goods & Outdoor Living	3.3	3.2	3.3	4.1	4.5	78.75	89.07	87.56	93.69	98.99
Miscellaneous Goods	8.2	6.6	9.8	6.7	7.7	107.42	109.58	127.92	78.37	97.90

	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	3.6x	3.2x	3.6x	3.4x	3.6x	$1.66	$1.41	$1.53	$1.47	$1.57
Hand Tools	3.8	3.5	3.9	3.5	3.8	1.47	1.36	1.47	1.26	1.41
Power Tools & Accessories	3.4	3.8	3.2	3.5	3.8	.93	1.14	.98	1.13	1.30
Plumbing, Heating & Cooling	4.4	4.6	4.5	4.0	3.9	1.98	1.98	1.85	1.65	1.63
Electrical Supplies	4.6	4.5	4.6	4.1	4.0	1.97	1.86	1.85	1.70	1.65
Paint & Home Decorating	4.5	4.6	4.2	5.3	3.9	1.80	1.79	1.57	2.04	1.55
Lumber	5.3	3.5	2.6	3.1	3.0	.78	.99	.72	1.03	1.07
Building Materials	5.7	4.0	2.7	3.8	3.0	1.41	1.38	.89	1.39	1.18
Lawn & Garden	4.7	4.6	4.0	3.9	4.3	1.66	1.66	1.40	1.37	1.48
Housewares	3.5	3.6	3.0	2.9	3.1	1.23	1.25	1.03	.99	1.13
Automotive Supplies	3.1	3.9	4.4	4.1	3.8	1.09	1.39	1.50	1.33	1.38
Major Appliances & Home Entertainment	4.1	4.1	3.5	3.5	3.8	.72	1.03	.88	.83	1.01
Sporting Goods & Outdoor Living	3.2	3.6	3.1	3.3	3.2	1.00	1.15	.96	1.10	1.10
Miscellaneous Goods	3.1	4.0	4.6	3.5	4.2	1.06	1.41	1.57	1.30	1.45

**Average Hardware store

Monthly Sales

Month	1986	1985	1984	1983	1982
January	6.3	6.5	6.4	6.0	6.6
February	5.7	5.8	5.8	5.5	5.8
March	7.4	7.1	6.8	6.7	7.2
April	8.9	8.9	8.4	8.2	8.6
May	9.9	9.8	9.9	9.6	10.0
June	9.2	9.3	10.1	9.7	9.1
July	8.9	8.9	8.7	9.0	8.9
August	8.6	8.7	8.5	8.6	8.2
September	8.0	8.0	8.1	8.2	8.1
October	8.5	8.5	8.4	8.4	8.5
November	8.6	8.6	8.6	8.6	8.4
December	10.0	9.9	10.3	11.5	10.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

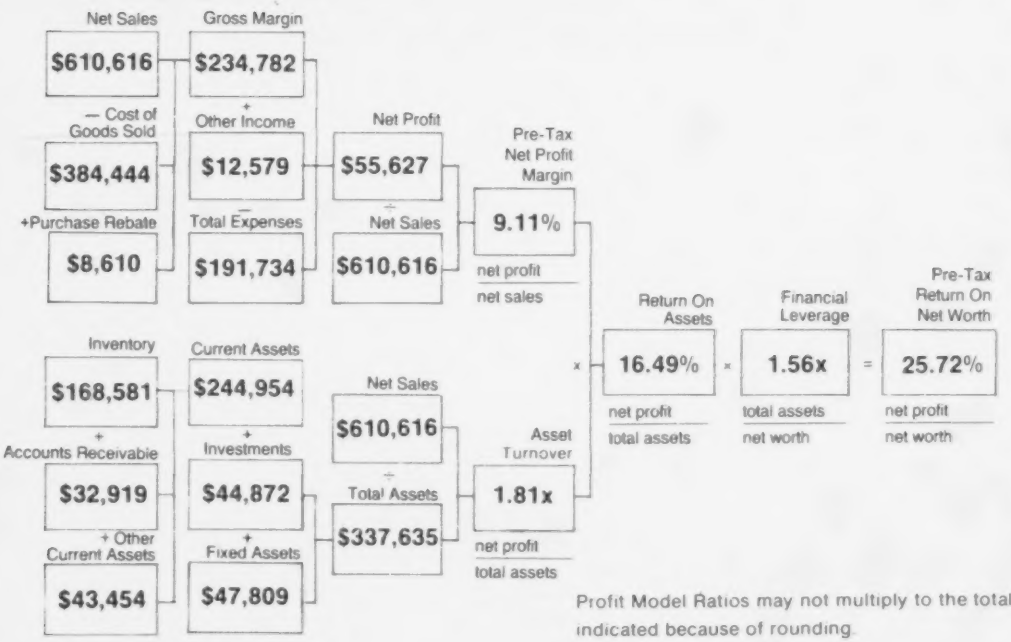
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores



Profit Model Ratios may not multiply to the totals indicated because of rounding.

 ©National Retail Hardware Association

Highlights

Type of Hardware Store	1986 Net Sales ($)	Sales Increase Over 1985* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	682,263	+4.29	36.06	3.09	11.76	2.45
Low Profit	454,995	- .71	34.07	-4.14	-20.02	2.02
High Profit	610,616	+4.94	38.45	9.11	25.77	2.33
Sales Volume Size						
Under $250,000	167,881	-2.58	35.75	.19	.45	1.53
$250,000 to $499,999	361,299	+2.84	36.75	2.90	10.37	1.96
$500,000 to $749,999	604,492	+2.99	35.85	2.49	9.97	2.42
$750,000 or more	1,300,320	+5.39	35.95	3.51	13.91	2.75
Sales Floor Size						
Under 3,000 Sq. Ft.	295,954	+ .01	35.40	2.51	7.38	2.27
3,000 to 4,999 Sq. Ft.	420,571	+4.75	36.46	4.62	15.44	2.28
5,000 to 9,999 Sq. Ft.	709,515	+5.17	36.40	3.32	12.94	2.50
10,000 Sq. Ft. or more	1,430,087	+3.27	36.38	2.52	10.27	2.53
Type of Ownership						
Proprietorship	321,564	+4.66	34.43	3.92	11.94	2.14
Partnership	456,956	+6.98	35.74	3.82	12.28	2.01
Corporation	788,508	+4.08	36.31	3.05	11.93	2.52
Trade Area Size						
M.S.A.-Central City	863,028	+4.11	40.28	3.34	13.88	2.93
M.S.A.-Suburban	816,458	-2.22	35.41	1.80	6.09	2.25
Cities-10,000-50,000	801,431	+3.58	37.40	3.26	12.64	2.45
Rural Areas Under 10,000	576,324	+5.79	34.06	3.25	12.12	2.39
Store Location: Part I						
Downtown	590,077	+2.44	35.66	2.94	9.98	2.32
Suburban	837,608	+5.01	37.13	3.14	12.99	2.57
Rural	592,861	+7.96	34.48	3.65	14.84	2.52
Store Location: Part II						
Shopping Center—Neighborhood	694,602	+6.50	37.69	3.03	13.01	2.44
Shopping Center—Community or Regional	723,163	+5.39	37.32	3.51	13.85	2.52
Free-Standing—No Stores Adjacent	815,020	+4.68	36.43	3.61	13.72	2.60
Free-Standing—Stores Nearby	649,208	+3.35	35.50	2.91	10.79	2.41
Number of Stores						
Single Store Business	667,316	+3.77	35.81	3.12	11.49	2.43
Multiple Store Business	787,354	+7.24	37.55	2.91	13.88	2.56

*As Reported by The Management Report Contributors

Monthly Sales

	%		%		%
January	6.3	May	9.9	September	8.0
February	5.7	June	9.2	October	8.5
March	7.4	July	8.9	November	8.6
April	8.9	August	8.6	December	10.0

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	787	182	198
Net Sales Volume	$682,263	$454,995	$610,616
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+4.29%	- .71%	+4.94%
Gross Sales	101.96%	101.81%	101.91%
Less: Total Deductions	1.96	1.81	1.91
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.08	66.91	62.96
Margin Before Purchase Rebate or Patronage Dividend	34.92	33.09	37.04
Purchase Rebate or Patronage Dividend	1.14	.98	1.41
Margin After Purchase Rebate or Patronage Dividend	36.06	34.07	38.45
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.42	4.78	4.18
Salaries/Wages — Other Employees	12.44	13.01	11.11
Federal and State Payroll Taxes	1.41	1.57	1.31
Group Insurance	.64	.86	.62
Benefit Plans	.46	.17	.49
Total Payroll and Other Employee Expense	19.37	20.39	17.71
Occupancy Expense			
Heat, Light, Power, Water	1.15	1.47	1.09
Building Repairs and Maintenance	.30	.24	.26
Rent or Ownership in Real Estate**	3.80	4.66	3.48
Total Occupancy Expense	5.25	6.37	4.83
Other Costs of Doing Business			
Office Supplies and Postage	.47	.77	.45
Advertising and Promotion	2.50	2.95	2.09
Donations	.09	.08	.08
Telephone and Telegraph	.33	.43	.33
Bad Debts	.19	.19	.18
Credit Card Expense (Bank Charges)	.17	.14	.14
Delivery Expenses (Other than Wages)	.38	.51	.38
Leasing Expenses (Non-Occupancy)	.10	.10	.11
Insurance (Other than Real Estate and Group)	.89	1.08	.88
Taxes (Other than Real Estate and Payroll)	.57	.62	.56
Interest (Other than Real Estate)	1.32	2.22	.94
Depreciation (Other than Real Estate)	.99	1.30	.89
Store and Shop Supplies	.48	.53	.42
Legal and Accounting	.44	.51	.47
Computer Services and Expenses (Other than Wages)	.10	.09	.07
Dues and Subscriptions	.09	.11	.09
Travel, Buying, Entertainment	.23	.23	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.14	.21	.13
Unclassified Expenses	.55	.62	.46
Total Other Costs of Doing Business	10.04	12.70	8.87
Total Operating Expenses	34.65	39.47	31.40
Operating Profit or Loss	1.41	-5.40	7.05
Other Income	1.68	1.26	2.06
Net Operating Profit or Loss (Before Income Taxes)	3.09	-4.14	9.11

* As reported to us by The Management Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings

†Defined as the bottom twenty-five percent of all contributors based on Net Profit

††Defined as the top twenty-five percent of all contributors based on Net Profit

Figures may not add to totals indicated because of rounding

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$342,216	$264,834	$337,635
	% of Total Assets		
Assets			
Cash On Hand and In Bank	6.42	3.69	8.81
Notes and Installment Contracts Receivable	1.31	.62	1.66
Accounts Receivable	9.45	8.73	9.75
Merchandise Inventory (End of Year)	53.90	57.07	49.93
Other Current Assets	2.20	1.27	2.40
Total Current Assets	73.28	71.39	72.55
Stocks and Bonds	5.32	6.51	4.99
Real Estate (Not Used In Business)	.51	.61	.90
Other Investments	6.15	3.87	7.40
Total Investments	11.98	10.99	13.29
Land (Owned and Used In Business)	1.82	2.56	1.76
Buildings (Owned and Used in Business Less Depreciation)	4.98	7.08	5.36
Leasehold Improvements (Less Amortization Allowance)	1.15	.55	.83
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.48	5.76	3.36
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.13	1.09	1.18
Other Fixed Assets	1.18	.57	1.67
Total Fixed Assets	14.74	17.62	14.16
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.25	12.30	8.26
Current Portion of Notes Payable	6.01	10.11	3.59
Accrued Payroll Taxes	.60	.58	.62
Accrued Other Taxes	1.16	1.05	1.21
Other Accrued Expenses	1.37	1.11	.92
Other Current Liabilities	2.20	2.74	1.38
Total Current Liabilities	21.59	27.88	15.98
Notes Due Partners/Officers	7.01	9.92	5.72
Mortgage Payable	3.43	5.07	2.99
Long Term Debt	14.54	19.88	10.72
Other Long Term Liabilities	1.05	1.74	.65
Total Long Term Liabilities	26.03	36.61	20.08
Total Liabilities	47.62	64.49	36.05
Net Worth	52.38	35.51	63.95
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.76%	-20.02%	25.77%
Active Owner's Return	28.58%	3.13%	37.60%
Current Asset Ratio	3.39x	2.56x	4.54x
Quick Asset Ratio	.91x	.53x	1.42x
Total Debt to Tangible Net Worth	90.91%	181.59%	56.38%
Stock Turn Times	2.45x	2.02x	2.33x
Sales to Inventory Ratio	3.77x	3.02x	3.71x
Average Inventory per Sq. Ft. Sales Area	$28.00	$26.59	$28.86
Net Sales to Accounts Receivable	21.09x	19.67x	18.54x
Net Sales to Total Assets	1.99x	1.72x	1.81x
Net Sales to Net Worth	3.81x	4.84x	2.83x
Net Sales to Net Working Capital	2.80x	2.50x	2.54x
Other Operating Data			
Credit Sales — % of Total Gross Sales	31.27%	32.14%	35.49%
Consumer Sales — % of Total Gross Sales	74.39%	74.33%	72.23%
Selling Area — Square Feet	5,827	4,639	5,071
Sales Per Square Foot — Selling Area	$105.34	$82.50	$105.11
Total Area — Square Feet	9,059	6,900	7,903
Sales Per Square Foot — Total Area	$67.11	$56.58	$66.99
Sales Per Person Employed	$75,418	$67,138	$74,355
Sales Per Customer	$9.64	$8.58	$7.22

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	126	246	162	253
Net Sales Volume	$167,881	$361,299	$604,492	$1,300,320
Current Year's Sales vs. Previous Year (1986 vs 1985)*	-2.58%	+2.84%	+2.99%	+5.39%
Gross Sales	101.45%	101.71%	101.80%	102.11%
Less: Total Deductions	1.45	1.71	1.80	2.11
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.22	64.19	65.33	65.24
Margin Before Purchase Rebate or Patronage Dividend	34.78	35.81	34.67	34.76
Purchase Rebate or Patronage Dividend	.97	.95	1.18	1.19
Margin After Purchase Rebate or Patronage Dividend	35.75	36.75	35.85	35.95
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.54	5.06	4.65	4.10
Salaries/Wages — Other Employees	10.06	11.08	12.36	12.99
Federal and State Payroll Taxes	1.15	1.41	1.49	1.40
Group Insurance	.67	.67	.64	.63
Benefit Plans	.11	.27	.18	.61
Total Payroll and Other Employee Expense	17.54	18.49	19.32	19.73
Occupancy Expense				
Heat, Light, Power, Water	1.95	1.38	1.22	1.02
Building Repairs and Maintenance	.31	.24	.22	.34
Rent or Ownership in Real Estate**	5.11	4.38	3.91	3.51
Total Occupancy Expenses	7.36	6.02	5.34	4.87
Other Costs of Doing Business				
Office Supplies and Postage	.63	.58	.51	.43
Advertising and Promotion	2.73	2.50	2.57	2.47
Donations	.08	.09	.05	.10
Telephone and Telegraph	.46	.42	.36	.28
Bad Debts	.21	.14	.17	.20
Credit Card Expense (Bank Charges)	.14	.13	.18	.18
Delivery Expenses (Other than Wages)	.65	.48	.43	.32
Leasing Expenses (Non-Occupancy)	.10	.12	.15	.07
Insurance (Other than Real Estate and Group)	1.32	1.04	.91	.82
Taxes (Other than Real Estate and Payroll)	.68	.60	.53	.56
Interest (Other than Real Estate)	2.26	1.66	1.57	1.09
Depreciation (Other than Real Estate)	1.34	1.16	1.12	.89
Store and Shop Supplies	.56	.55	.48	.46
Legal and Accounting	.63	.52	.53	.38
Computer Services and Expenses (Other than Wages)	.05	.04	.08	.13
Dues and Subscriptions	.14	.10	.12	.08
Travel, Buying, Entertainment	.23	.28	.22	.22
Miscellaneous Services (Laundry, Disposal, etc.)	.18	.14	.12	.14
Unclassified Expenses	.74	.59	.46	.56
Total Other Costs of Doing Business	13.14	11.15	10.54	9.39
Total Operating Expenses	38.04	35.65	35.20	34.00
Operating Profit or Loss	-2.29	1.10	.64	1.96
Other Income	2.48	1.80	1.84	1.55
Net Operating Profit or Loss (Before Income Taxes)	.19	2.90	2.49	3.51

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.